



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2483 (1951)
February 27, 1992

SUBJECT: Guideline for the Review of Writedown and Buyout
Under FmHA Instruction 1951-S

TO: State Directors, District Directors, and
County Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance for reviewing writedown and buyout under FmHA Instruction 1951-S. The intended outcome is to ensure that these debt servicing actions are thoroughly reviewed for accuracy by the State Director prior to approval.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN No. 2193(1951) which expired on October 31, 1991. A requirement has been added that if the borrower has a combined debt of over \$1,000,000 or if the borrower is an entity, then the entire case file will be reviewed by the State Director's designee. This AN is being issued as a result of an OIG Audit.

IMPLEMENTATION RESPONSIBILITIES:

The attached checklist should be used to review debt servicing requests for writedown and/or buyout. If the borrower has a combined debt of over \$1,000,000 or if the borrower is an entity, then the entire case file will be reviewed by the State Director's designee. A notation will be made in the running case record that such a review was made. State Directors may supplement this checklist to meet any special servicing needs or requirements as a result of State law or unique farming enterprises or conditions. Upon completion, the checklist should be attached to and filed with the DALR\$ printout.

EXPIRATION DATE: December 31, 1992

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1951-S



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

If you have any questions, please contact Charles W. Thompson,
Farmer Programs Loan Servicing and Property Management
Division, at 690-4011.

A handwritten signature in cursive script, appearing to read "La Verne Ausman".

LA VERNE AUSMAN
Administrator

Attachment

ATTACHMENT

CHECKLIST FOR REVIEWING WRITEDOWN AND BUYOUT

1. Check that the correct version of DALR\$ was used.
2. Check that the correct interest rates, original and present, and terms for all FmHA debts were entered into DALR\$ and that the figures for unpaid principal and interest are correct.
3. Check all basic borrower information in the DALR\$ program by reviewing the Farm and Home Plan and application. Do the figures for "balance available" and "payments on non-FmHA debts" in DALR\$ correspond to the figures from Tables J & K of the Farm and Home Plan?
4. Review the personal financial statements of all individuals who signed the promissory notes as required by Section 1951.907 (h)(1)(I) of FmHA Instruction 1951-S, if the borrower is a corporation, cooperative, partnership or joint operation.
5. Check the amount and verification of nonfarm income.
6. Check that the unpaid debts of all creditors have been verified on Form FmHA 440-32. Are the loan balances of secured creditors with prior liens properly entered in DALR\$ for net recovery buyout?
7. Review the borrower's projected income, expenses and production to see if they are based upon actual records for the past five years, in accordance with Section 1924.57(d)(1) of FmHA Instruction 1924-B. Also, was an analysis completed for the previous year?
8. Review the unit commodity prices used in the Farm and Home Plan to determine if they comply with the annual unit prices published by the State Office. If they do not, what documentation has been provided to use the other figures.
9. Check that all projected loans in the Farm and Home Plan have been entered into DALR\$.
10. Check that the correct constants for net recovery value were used in DALR\$.
11. Review Form FmHA 1962-1, the Security Agreements and Crop and Chattel Mortgages, if applicable, to verify that all chattel security has been properly accounted for.

___12. Check that the real estate and chattel appraisals are current and have been completed correctly. Are these the appraised values entered in DALR\$?.

___13. Compare the market value and the capitalization value in the real estate appraisal. If there is more than a 5 percent difference, verify that both values have been arrived at properly.

___14. Is there evidence that mediation was offered as required?

___15. Is there a Borrower History Report generated by Ag. Credit 1 indicating the servicing to date?

___16. For post review, check that the prepared real estate mortgages or Deeds of Trust secure the Shared Appreciation Agreements and Net Recovery Buyout Recapture Agreements. Also, check that the new promissory notes have been properly prepared.

___17. Has the automated Farm and Home Plan been used?

___18. Has the Credit and Financial Analysis been completed?

State Director

Date